PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2007

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Pastures Revolving Fund as at March 31, 2007 and the statements of operations and accumulated operating surplus and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 23, 2007

Fred Wendel, CMA, CA
Provincial Auditor

PASTURES REVOLVING FUND
BALANCE SHEET
As at March 31

	2007	2006 Restated
ASSETS		
Current assets:		
Accounts receivable	$ 528,687	$ 707,821
Inventory	291,826	249,441
	820,513	957,262
Property, plant and equipment (Note 6)	3,342,460	3,196,943
	$ 4,162,973	$ 4,154,205
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 424,907	$ 890,146
Unearned revenue	635,941	626,300
	1,060,848	1,516,446
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	2,671,198	1,934,574
	3,732,046	3,451,020
Equity:		
Accumulated operating surplus (Statement 2)	430,927	703,185
	$ 4,162,973	$ 4,154,205

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Budget 2006-07 (Note 7)	Actual 2007	Actual 2006 Restated
REVENUES			
Grazing	$ 5,823,286	$ 5,648,179	$ 5,672,677
Petroleum and gas leases	1,550,000	1,548,063	1,058,475
Bull wintering	242,300	231,563	224,465
Timber sales	160,000	24,708	176,658
House rent	41,760	38,373	43,540
Seismic and easement	—	45,162	181,512
Hay	18,000	23,845	5,806
Gain on disposal of property and equipment	—	—	285,201
Other	—	23,379	24,216
	7,835,346	7,583,272	7,672,550
EXPENSES			
Salaries	3,400,425	3,407,221	3,063,378
Repairs and improvements	1,129,028	1,132,763	1,013,656
Taxes	1,067,833	909,035	1,098,693
Seed and forage	236,418	256,814	349,438
Rent of equipment, horses and other	307,850	289,472	285,056
Amortization	420,123	412,062	410,088
Travel	354,155	343,790	322,003
Small tools, equipment, and supplies	248,725	657,231	302,275
Utilities	125,150	129,478	121,735
Veterinary fees and supplies	78,800	120,974	84,599
Telephone/Communications	125,900	101,921	67,159
Bad debt expense	20,000	3,250	26,126
Freight and postage	11,000	22,369	20,849
Advertising and printing	4,500	3,953	3,521
Other	80,500	65,197	138,878
	7,610,407	7,855,530	7,307,454
Net (loss) income	$ 224,939	(272,258)	365,096
Accumulated operating surplus, beginning of year		703,185	629,228
Adjustment for change in accounting policy (note 3)		—	(291,139)
Accumulated operating surplus, end of period – to Statement 1		$ 430,927	$ 703,185

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2007	2006 Restated
Financing required for (provided by) operating activities:		
Net loss (income)	$ 272,258	$ (365,096)
Items not affecting cash:		
Amortization	(412,062)	(410,088)
Bad debt expense	(3,250)	(26,126)
Gain on disposal of property, plant and equipment	—	285,201
Net (increase) decrease in working capital items related to operations (Note 11)	322,099	(663,030)
	179,045	(1,179,139)
Financing required for (provided by) investing activities:		
Purchase of property, plant and equipment	557,579	1,329,064
Proceeds from sale of property, plant and equipment	—	(321,271)
	557,579	1,007,793
Net increase (decrease) in financing requirements	736,624	(171,346)
Accumulated net expenditure, beginning of year	1,934,574	2,105,920
Accumulated net expenditure, end of year – to Statement 1	$ 2,671,198	$ 1,934,574

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act.* The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 11. The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and
ii) the book value of assets acquired (disposed of) at no charge from (to) another government agency.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus (deficit). Amortization of all property, plant and equipment is charged to operations using the straight-line method at the following rates:

Fencing and corrals	7.5%
Water sites	5%
Buildings	5%
Equipment and Vehicles	10%
Office equipment	10%
Land improvements	7.5%

Property, plant and equipment that are acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

e) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Surface lease revenue is recognized on a month start basis and billed in advance for the year.

Timber revenue is recognized once the value of the timber offered for harvest has been determined.

f) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue and grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

g) Use of Estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Change in Accounting Policy

Effective January 9, 2007, the Fund received Provincial Comptroller approval to retroactively adopt increased threshold limits for managing its capital assets in all categories as follows:

Fencing and Corrals	$ 5,000
Water Sites	5,000
Buildings	5,000
Vehicles	5,000
Equipment	1,000
Office Equipment	1,000
Land Improvements	10,000

The previous limit was $500 for all categories.

The effect of this change in accounting policy resulted in a decrease to property, plant and equipment of $291,139 at April 1, 2006 with a corresponding decrease to accumulated operating surplus.

4. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

5. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

6. Property, Plant and Equipment

	2007			2006 Restated
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Fencing and corrals	$ 1,502,218	$ 655,190	$ 847,028	$ 667,009
Water sites	1,393,984	368,040	1,025,944	1,058,182
Equipment and Vehicles	2,462,095	1,381,686	1,080,409	1,051,834
Buildings	525,814	161,482	364,332	390,947
Office equipment	47,912	47,912	—	393
Land	19,000	—	19,000	19,000
Land improvements	38,311	32,564	5,747	9,578
Total	$ 5,989,334	$ 2,646,874	$ 3,342,460	$ 3,196,943

7. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2007	2006
Financial statement category:		
Expenses	$313,167	$290,442
Purchase of capital assets	---	150,651
Accounts payable and accrued liabilities	48,129	66,313
Accounts receivable	164,724	242,089

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Department of Agriculture and Food without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Amount Reported in Public Accounts

The net recovery (expenditure) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	2007	2006 Restated
Net (loss) income	$ (272,258)	$ 365,096
(Increase) in inventory balance recorded by the Revolving Fund	(42,385)	(32,705)
(Increase) in net property, plant and equipment recorded by the Revolving Fund	(145,517)	(575,940)
Timing differences in recording revenue/expenses	(342,052)	(144,074)
Net recovery (expenditure) reported in the Public Accounts	$ (802,212)	$ (387,623)

10. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $584,459 at March 31, 2007

with an allowance for doubtful accounts of $55,772. Some of the receivables were received shortly after year end reducing the credit risk.

c) Receivables/Payables

These financial instruments are non-interest bearing and are due or payable within one year. Due to this short-term maturity, the carrying value of these financial instruments approximates their fair value.

d) Accumulated Net Expenditure

The fair value of accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

11. Net Change in Working Capital Items Related to Operations

	2007	2006
Working capital changes:		
(Decrease) Increase in accounts receivable	$ (175,884)	$ 127,982
Increase in inventory	42,385	32,705
Decrease (Increase) in accounts payable	465,239	(552,217)
(Increase) in unearned revenue	(9,641)	(271,500)
Total	$ 322,099	$ (663,030)